

Hillsborough Township

October

CFO
Report

2016

Submitted by Nancy R. Costa,
CCFO/CMFO/CTC/RPPO



EastHillsborough.com

Chief Finance Officer's Report
Hillsborough Township
October 2016

Executive Summary

This report examines these financial issues:

Non-Tax Budget Revenues Increase

Key 2016 Budget Key Spending Changes

2016 Best Practices Compliance Assures 100% of State Aid for 7th
Consecutive Year

Hillsborough Township Tax Increase Remains Below Allowable CAP

The 2016 Tax Rate Components and Comparison to the 2015 Tax
Rate

Hillsborough Township Continues to Maintain the Lowest Per Capita
Spending of Area Municipalities

Summary

Submitted by Nancy R. Costa, CCFO/CMFO/CTC/RPPO
October, 2016

Non-Tax Budget Revenues Increase

Municipal property taxes provide 64% of the budget revenues. The additional 36% of non-tax revenues come from sources such as licenses, fees & permits, interest on investments and delinquent property taxes, and State Aid.

During the economic downturn, non-tax revenues had declined nearly 20% from 2008 to 2012. As the economy began to rebound, increases in fees & permits, UCC fees and interest income slowly began to rebound as well.

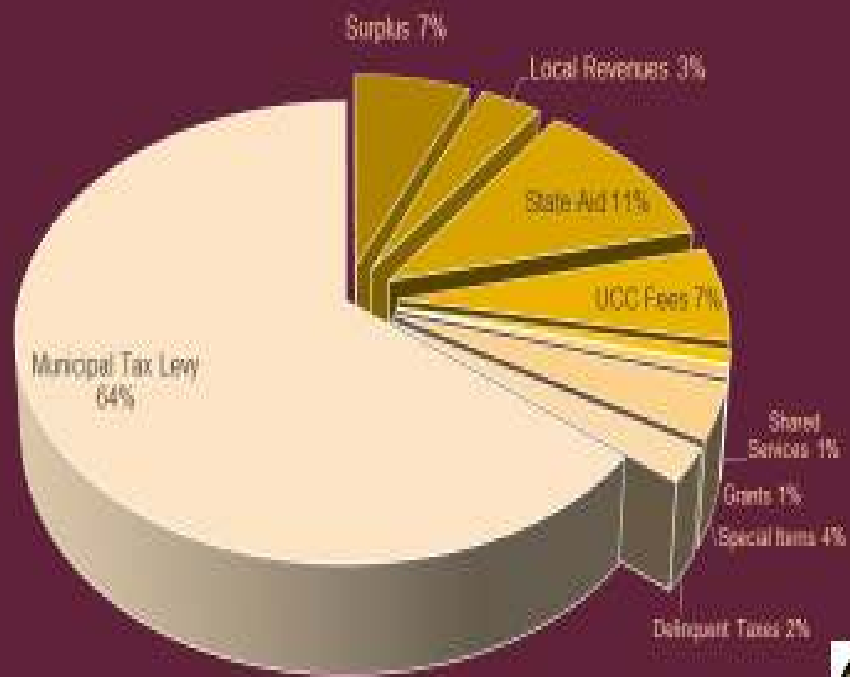
In 2013, the Township saw an increase in non-tax revenues for the first time in six years. In 2016, non-tax revenues once again reflect an increase over the prior year.

The upswing in new construction has increased revenues from UCC fees for 2016, as well as the Inter Local Shared Services revenues from the addition of the Manville Court on January 1st.

The 2016 non-tax budget revenue is anticipated to be \$10,375,742 – an increase of \$103,702.12 over 2015.

The charge on the next page show the various sources of revenue in the 2016 budget.

SOURCES OF 2016 BUDGET REVENUES



2016 Municipal Budget Key Spending Changes

Spending appropriations were reduced almost \$74,000 for Public Safety Salaries and Wages due to the attrition of a number of long time senior officers.

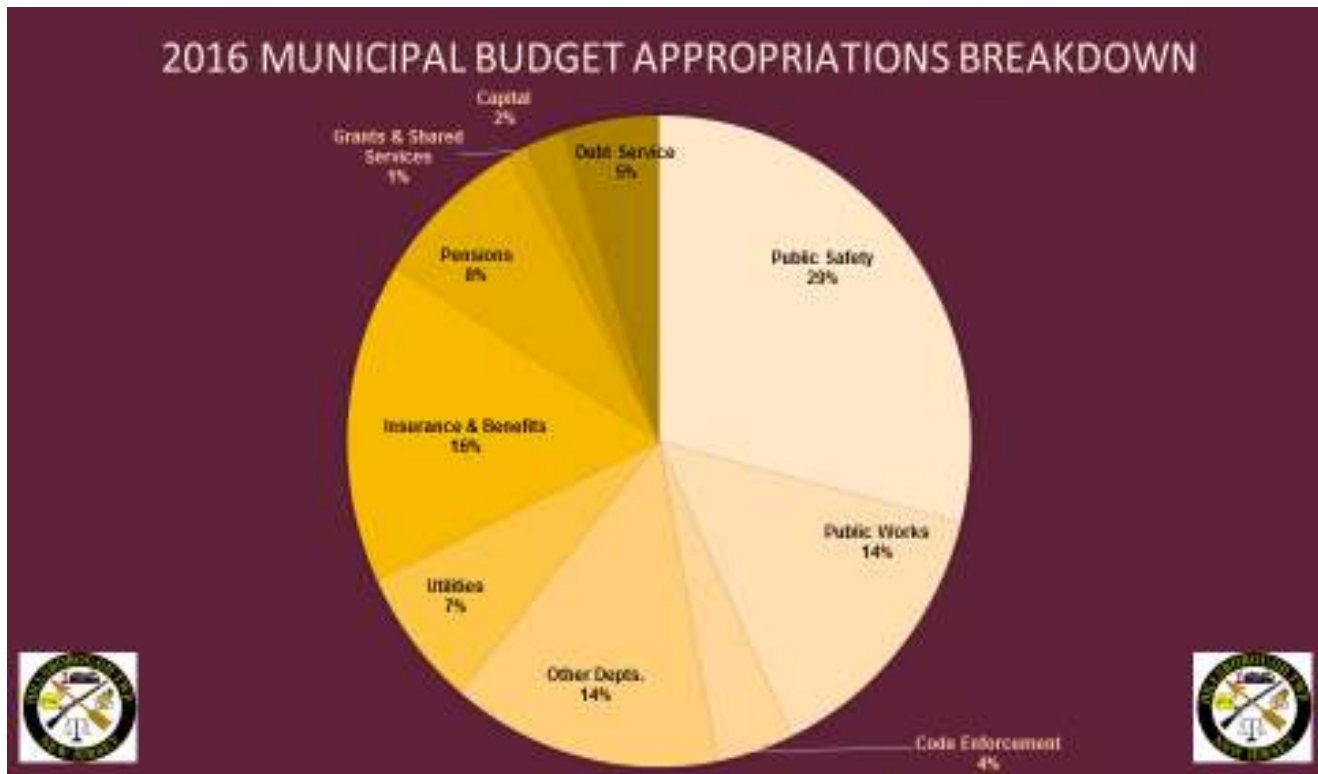
The mild winter allowed for a reduction of \$245,000 for snow removal costs.

Uncontrollable costs for insurance and pensions showed increases in the 2016 budget.

The Capital Improvement Fund, which is used to fund routine Capital expenditures for future years was increased by \$112,500 in 2016.

A breakdown of spending shows 29% of the budget for Public Safety, with 14% for both Public Works and Other Departments. The net costs of all of the Township's insurance is 16% of the budget.

The chart on the next page shows the breakdown of the 2016 budget appropriations.



2016 Best Practices Compliance Assures 100% of State Aid for 7th Consecutive Year

The Best Practices Inventory Questionnaire, which was implemented for the first time in 2010, was issued by the Division of Local Government Services. It provides a series of questions dealing with general management, finance and audit, budget preparation, health insurance and personnel issues.

The 2016 questionnaire was reduced from 50 questions to 30 questions, making it even more crucial for municipalities to remain in compliance with the criteria set forth by the State.

Best Practices encourages municipalities to look at pursuing new opportunities with financial benefits, such as the Shared Services agreement entered in with the Manville Municipal Court in 2016. It requires updating personnel policies, reviewing debt management, ensuring that all State mandated reports are submitted timely and finding mechanisms to reduce spending.

As the Township continues to maintain a fiscally responsible, business-like approach, the 2016 Best Practices Inventory Questionnaire once again confirms that the Township is in compliance, making Hillsborough Township eligible to receive 100% of the final State Aid payment again this year.

Hillsborough Township Tax Increase Below the Allowable CAP

Under the Levy Cap Law, a municipality may use “exceptions” to raise taxes more than 2% over the prior year.

In 2016, Hillsborough Township was eligible to use 4 of these “exceptions”:

- Pension Obligation Increases
- Deferred Charges to Future Taxation
- Health Insurance Cost Increases
- Debt Service and Capital Improvement Increases

This would have resulted in the Township increasing property taxes by \$284,311 in addition to the allowable 2% increase of \$364,177, for a total increase of \$648,488.

However, as in past years, no exceptions were taken, and the 2016 budget reflected an increase of \$357,362 – 45% below the allowable CAP increase of \$648,488.

The Township has managed to control the increase in the municipal portion of the tax rate without taking exceptions and by implementing a rolling revaluation process. The results show a decrease in the change in the percentage of the municipal portion of the tax rate from 2012 to 2016 as follows:

- | | |
|---------------------|-----------------------------------|
| • 2012 TAX INCREASE | 1.996% |
| • 2013 TAX INCREASE | 1.995% |
| • 2014 TAX INCREASE | 1.988% |
| • 2015 TAX INCREASE | 1.962% |
| • 2016 TAX INCREASE | 1.962% no change from 2015 |

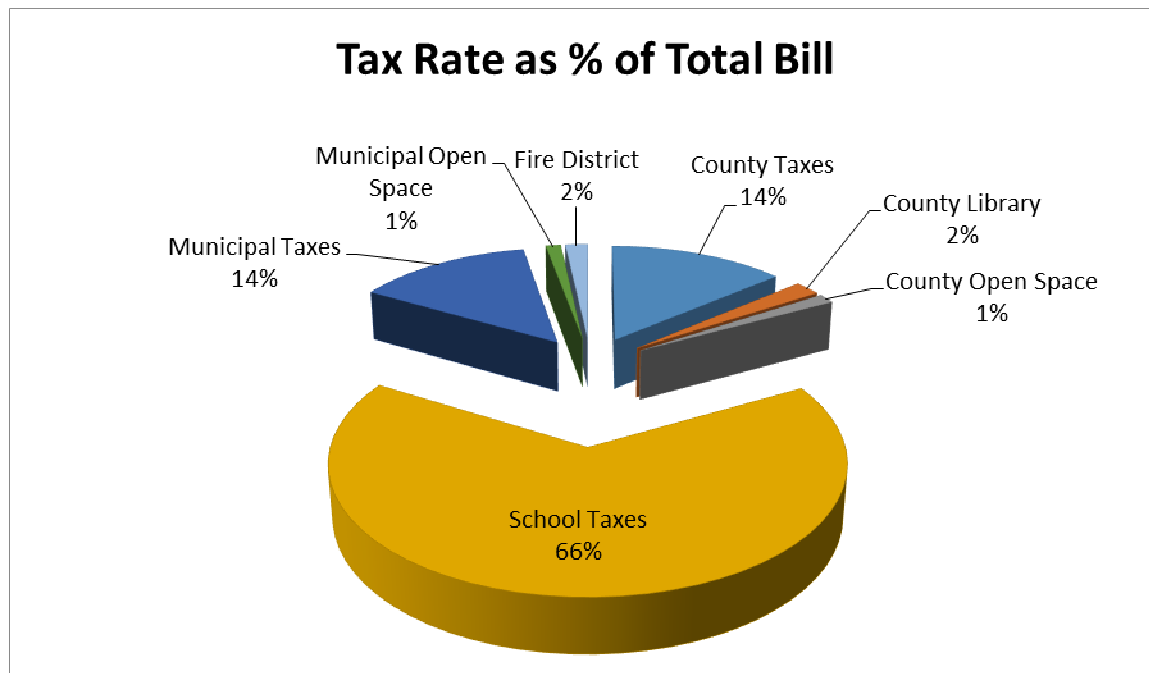
The 2016 Tax Rate and Its Components

There are 5 components of the tax rate – school, county, municipal, open space and fire district.

The 2016 tax rate is \$2.414 per \$100 of assessed value, which is an increase of 3.0 cents per \$100 of assessed value over the 2015 tax rate.

As shown in the tax rate chart, the 66% of property taxes fund the school budget. The Township’s budget represents 14% of the total tax bill.

On the following page, you will find a comparison of the tax rate components and their increases from 2015 to 2016.



**Hillsborough Township
Tax Rate Breakdown
2015 vs. 2016**

	2015	2016
County Tax	0.328	0.331
County Library	0.049	0.049
County Open Space	0.031	0.032
Regional School	1.581	1.602
Municipal Taxes	0.330	0.330
Municipal Open Space	0.028	0.028
Fire District	0.037	0.042
Total	2.384	2.414

Hillsborough Township Continues to Maintain the Lowest Per Capita Spending of Area Municipalities

When comparing the 2016 budgets for Hillsborough, Bridgewater, Montgomery and Franklin, in Somerset County, Hillsborough Township continues to have the lowest per capita spending.

The following chart shows the population based upon the most recent US Census Report as it compares to the 2016 adopted budgets:

Municipality	Population	Budget	Per Capita
Montgomery Tshp.	22,254	\$27,646,060	\$1,242.30
Franklin Tshp.	62,300	\$59,488,016	\$ 954.86
Bridgewater Tshp.	44,464	\$40,413,671	\$ 908.91
Hillsborough Tshp.	38,308	\$28,941,971	\$ 755.51

Per capita spending compares the cost of municipal services divided by each municipality's population resulting in an equalized basis for each.

Chief Finance Officer's Report Hillsborough Township October 2016

Summary

The 2016 Municipal Budget totaled \$28,941,970 and was funded with \$10,375,742 in anticipated revenues combined with a municipal tax levy of \$18,566,228.

In addition to the Tax Levy and State Aid, revenues are generated from a number of sources, including fees & permits, construction fees and special items of revenue, such as cell tower leases. Surplus is also used to fund the budget. The upswing in new construction has increased revenues from UCC fees as well as the inter-local shared services revenue from the addition of the Manville Court in the 2016 budget.

While spending appropriations were reduced in 2016 for Public Safety Salaries and Wages, as well as Snow Removal Costs, uncontrollable costs for insurance and pensions showed increases. The Capital Improvement Fund was increased to \$475,000 in 2016, which will provide funding for routine Capital projects in future years.

As the Township maintains its business-like approach, this helps in ensuring the receipt of 100% of annual State Aid, by meeting the criteria set forth by the New Jersey Division of Local Government Services in the 2016 Best Practices Inventory Questionnaire.

The Township continues to refuse to take the allowable exceptions to the 2% Levy CAP, which brought the 2016 Municipal Tax Rate 45% below the allowable increase. Additionally, by implementing a rolling revaluation process and taking no allowable exceptions, the municipal portion of the tax rate has decreased from 2012 to 2016. In 2016, the municipal tax rate remained at the same level as 2015 – \$.33 per \$100 of assessed value.

In comparing the per capita spending of neighboring municipalities, based on population and budget, Hillsborough Township's cost of services per person is the lowest, as it has been since 2012.

The Township continues to work diligently to find ways to control spending as revenues continue to rebound while maintaining its "just say no" policy to the various exceptions and loopholes which would allow the municipal portion of taxes to increase above the 2% property tax CAP.

Hillsborough Township has maintained a business-like approach when making the difficult choices in the area of municipal finance. The philosophy of strategizing for the future, promoting fiscal responsibility, and making well thought out decisions has, and will continue to, ensure the continuity of services to taxpayers at their level of expectation.

Submitted by Nancy R. Costa, CCFO/CMFO/CTC/RPPO

October 2016